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AUDITOR-CONTROLLER

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May 9, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **CITY OF COMPTON – COMPTON CAREERLINK CONTRACT -
WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of City of Compton – Compton CareerLink (Compton CareerLink or Agency), a Workforce Investment Act (WIA) services provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Compton CareerLink, a government organization, to provide and operate the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Rapid Response Program provides assistance to companies that are facing a reduction in their work force and assists the soon-to-be dislocated workers cope with career transitions by providing orientation seminars, workshops and materials. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. Compton CareerLink's office is located in the Second District.

Compton CareerLink is compensated on a cost reimbursement basis. Compton CareerLink's contract for Fiscal Year (FY) 2005-06 was for approximately \$1.5 million.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether Compton CareerLink complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Compton CareerLink did not always provide program services in accordance with WIA guidelines or comply with various County contract requirements. Specifically:

- Compton CareerLink did not maintain adequate documentation to support payroll expenses billed to DCSS in November 2005.
- Compton CareerLink's accounting records did not support the total amount billed to DCSS. The amount of unsupported expenditures for both FY 2003-04 and FY 2004-05, totaled \$21,726.
- Compton CareerLink did not complete the Individual Service Strategy (ISS) plan or discuss the ISS plan on a monthly basis with the ten youth participants sampled.
- Compton CareerLink did not accurately report the program activities for four (16%) of the 25 adult, dislocated worker and youth participants in the Job Training Automation system as required.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Compton CareerLink on December 14, 2006. In their attached response, Compton CareerLink concurred with our findings and recommendations. Compton CareerLink reimbursed DCSS \$21,726 for the unsupported expenditures.

We notified DCSS of the results of our review. We will follow-up our recommendations during next year's monitoring review. We thank Compton CareerLink for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Barbara Kilroy, City Manager, City of Compton – Compton CareerLink
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CITY OF COMPTON – COMPTON CAREERLINK
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether City of Compton – Compton CareerLink (Compton CareerLink or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 25 (14%) participants (ten adults, five dislocated workers and ten youths) from a total of 181 participants that received services between July 2005 and February 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

All 15 adult and dislocated worker participants met the eligibility requirements for the WIA programs. However, Compton CareerLink did not maintain documentation for two (20%) of the ten youth participants to support the participants' income and/or barrier eligibility to receive program services. Subsequent to our review, Compton CareerLink provided additional documentation to support the two participants' eligibility.

Recommendation

1. **Compton CareerLink management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 25 (14%) program participants that received services during July 2005 through February 2006. We also interviewed nine adult and dislocated worker participants and seven youth participants/guardians.

Results

Adult and Dislocated Worker Programs

The nine participants interviewed stated that the services received met their expectations. However, Compton CareerLink did not always provide the level of services required by the County contract. Specifically:

- Compton CareerLink did not maintain supporting documentation for the supportive services reportedly provided to six (40%) of the fifteen adult and dislocated worker participants. Subsequent to our review, Compton CareerLink provided the documentation to support the services provided.
- Compton CareerLink did not contact one (33%) of the three active Adult and Dislocated Worker participants for over 18 months. WIA guidelines require that the participants be contacted, at a minimum, every 30 days. The remaining 12 Adult and Dislocated Worker participants sampled had exited the program.
- Compton CareerLink did not follow-up with one (8%) of the twelve exited participants on a quarterly basis as required by WIA guidelines.
- Compton CareerLink did not accurately report one (5%) of the 15 participants' program activity in the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Youth Program

The seven participants/guardians interviewed stated that the services the participants received met their expectations. However, Compton CareerLink did not always provide the level of services required by the County contract. Specifically:

- Compton CareerLink did not complete or discuss the Individual Service Strategy (ISS) plans with all 10 (100%) youth participants sampled on a monthly basis. The ISS plan is used to track the needs and services of the program participants and their progress towards achieving established goals.
- Compton CareerLink did not accurately report three (30%) of the ten youth participants' program activities into the JTA system.

- Compton CareerLink also allowed two (20%) of the ten participants sampled to exceed the 200 maximum subsidized employment hours without prior approval. Subsequent to our review, Compton CareerLink established policies and procedures for when participants require additional subsidized employment hours in excess of the maximum.

Recommendations

Compton CareerLink management:

2. **Maintain adequate supporting documentation for the supportive services provided.**
3. **Ensure that staff contact the participants at least once every 30 days.**
4. **Ensure that staff follow-up with exited participants every quarter.**
5. **Ensure that staff accurately update the JTA system to reflect the participants' program activities within 30 days as required.**
6. **Ensure that the ISS plans are completed and that staff discuss the ISS plans with the participants on a monthly basis.**
7. **Ensure that additional subsidized employment hours in excess of the established maximum number of hours are authorized.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's December 2005 bank reconciliation.

Results

Compton CareerLink maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation to support 31 non-payroll expenditure transactions billed by the Agency for November and December 2005, totaling \$34,547.73.

Results

Compton CareerLink's expenditures were allowable, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Compton CareerLink did not always comply with the provisions of their County contract. Specifically:

- Compton CareerLink did not have adequate policies and procedures in place for monitoring the subcontractors.
- Compton CareerLink did not mark invoices and other supporting documentation as “PAID.” This finding was also reported on the prior year’s monitoring report.

Recommendations**Compton CareerLink management:**

8. **Establish policies and procedures for monitoring the subcontractors and ensure that subcontractors are adequately monitored.**
9. **Ensure that invoices and other supporting documentations are marked “PAID.”**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Compton CareerLink’s fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We conducted a physical inventory of 20 (5%) of the 373 items funded by the WIA programs, totaling \$29,738.

Results

Compton CareerLink used the equipment purchased with WIA funding for the WIA program. In addition, the assets were appropriately safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed payroll expenditures for thirteen employees in November 2005, totaling \$69,412 to the payroll records and time reports. We also interviewed two employees and reviewed the personnel files for five employees assigned to the WIA program.

Results

Compton CareerLink did not maintain adequate documentation to support the payroll expenses billed to the Department of Community and Senior Services (DCSS). Based on our observations, the employees were providing WIA services. However, neither we, nor the Agency's accountant, were able to trace and agree the payroll expenses for November 2005 to the payroll register or the employees' timecards. Subsequent to our review, Compton CareerLink's accountant provided us with additional documentation that supported portions of the expenses billed to DCSS for November 2005. However, they were unable to provide documentation to support the entire expenditure for November 2005.

In addition, Compton CareerLink did not complete annual performance evaluations for all five employees assigned to the WIA program. Subsequent to our review, Compton CareerLink completed the performance evaluations for all five employees assigned to the WIA program.

Recommendations**Compton CareerLink management:**

10. Review payroll expenses for the contract period to ensure that adequate documentation is maintained to support the payroll expenses billed to DCSS and repay any additional unsupported amounts.
11. Ensure the performance evaluations are completed in a timely manner.

COST ALLOCATION PLAN**Objective**

Determine whether Compton CareerLink's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed Compton CareerLink's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during November and December 2005 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As previously indicated, Compton CareerLink did not maintain adequate documentation to support the payroll expenses billed to DCSS. As a result, we recommended that Compton CareerLink ensure that adequate documentation is maintained to support the payroll expenses billed to DCSS.

Recommendation

Refer to Recommendation 10.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2004-05 final close-out invoice was reconciled to the agency's financial accounting records.

Verification

We traced and agreed the Agency's invoice to the Agency's General Ledger total for the prior FY. In addition, we reviewed the prior year's General Ledger for any duplicate postings or for any unallowable costs.

Results

Compton CareerLink's FY 2004-05 General Ledger did not support the total amount billed to DCSS. The prior year's monitoring report also noted that the Agency's FY 2003-04 General Ledger did not support the total amount billed to DCSS in FY 2003-04. The amount of unsupported expenditures for both FY 2003-04 and FY 2004-05 totaled \$21,726. The Agency indicated that they are in the process of reimbursing DCSS for the unsupported expenditures.

Recommendations

Compton CareerLink management:

- 12. Repay DCSS \$21,726.**
- 13. Ensure that the Agency's financial records support the amounts billed to DCSS.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from FY 2004-05 monitoring review were implemented. The report was issued in February 2006.

Results

The prior monitoring report contained ten recommendations. Compton CareerLink implemented six recommendations. Two of the four outstanding recommendations were also noted during our monitoring review. The remaining recommendations required the Agency to repay DCSS \$80 for disallowed late fees and locate two missing equipment items.

Recommendation

14. Compton CareerLink management implement the outstanding recommendations from FY 2004-05 monitoring report.



Compton CareerLink
WorkSource California Center

March 27, 2007

Ms. Yoon Bae, CPA
Principal Accountant-Auditor
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Building A-9 East, First Floor
Alhambra, CA 91803

Dear Ms. Bae:

The following comments are in response to the final report for the City of Compton regarding the monitoring conducted in March 2006:

ELIGIBILITY

Recommendation

1. Compton CareerLink management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for services prior to enrollment.

CareerLink Response:

Compton agrees with recommendation number 1 and will ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for services prior to enrollment

BILLED SERVICES/CLIENT VERIFICATION

Recommendations

2. Maintain adequate supporting documentation for the supportive services provided.
3. Ensure that staff contact the participants on a regular basis, at minimum, once every 30 days.
4. Ensure that staff follow-up with exited participant every quarter.
5. Ensure that staff accurately update the JTA system to reflect the participants' program activities within 30 days as required.
6. Ensure that the ISS plans are completed and that staff discuss the ISS plans with the participants on a monthly basis.
7. Ensure that additional subsidized employment hours in excess of the established maximums are authorized.

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CareerLink Response:

CareerLink agrees with recommendations number 2-7 and will ensure that proper documentation is obtained and reflected in client's file, that client contacts are performed and documented regularly to ensure that additional subsidized employment hours in excess of established maximums are authorized.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Recommendations

Compton CareerLink management:

8. Establish policies and procedures for monitoring the subcontractors and ensure that subcontractors are adequately monitored.
9. Ensure that invoices and other supporting documentations are marked "PAID."

CareerLink Response:

CareerLink agrees with recommendations 8 and 9 and has established procedures for monitoring the subcontractors and has incorporated stamping invoices with a PAID stamp.

PAYROLL AND PERSONNEL

Recommendations

Compton CareerLink management:

10. Review payroll expenses for the contract period to ensure that adequate documentation is maintained to support the payroll expenses billed to DCSS and repay any additional unsupported amounts.
11. Ensure the performance evaluations are completed in a timely manner.

CareerLink Response:

CareerLink agrees with recommendations 10 and 11 and has established an internal procedure for the preparation and review of County invoices to verify expenses billed to DCSS. In addition, CareerLink will ensure that all performance evaluations are completed in a timely manner.

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COST ALLOCATION PLAN

Recommendations

Review payroll expenses for the contract period to ensure that adequate documentation is maintained to support the payroll expenses billed to DCSS and repay any additional unsupported amounts.

Compton CareerLink's FY 2004-05 General Ledger did not support the total amount billed to DCSS. The prior year's monitoring report also noted that the Agency's FY 2003-04 General Ledger did not support the total amount billed to DCSS in FY 2003-04. The amount of unsupported expenditures for both FY 2003-04 and FY 2004-05 totaled \$21,726.

CareerLink Response:

CareerLink agrees with recommendations 10 and has established an internal procedure for the preparation and review of County invoices to verify expenses billed to DCSS.

CLOSE-OUT REVIEW

Recommendations

Compton CareerLink management:

12. Repay DCSS \$21,726.
13. Ensure that the Agency's financial records support the amounts billed to DCSS.

CareerLink Response:

CareerLink agrees with recommendation 12 and 13 and will process reimbursement to DCSS in the amount of \$21,726. Additionally, CareerLink has established an internal procedure for the preparation and review of County invoices to verify expenses billed to DCSS and ensure that the financial records support the amounts billed to DCSS.

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PRIOR YEAR FOLLOW-UP

Recommendation

14. The remaining recommendations required the Agency to repay DCSS \$80 for disallowed late fees and locate the two missing equipment items.

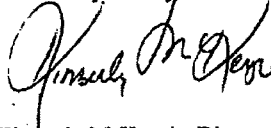
CareerLink Response:

Attached is verification of Compton's repayment to DCSS in the amount of \$80.00 for late fees incurred. The attached document is check #139727.

Compton acknowledges that we were unable to locate the two missing equipment items. Staff has checked all storage areas at the CareerLink facility and looked for the items in the IT (Information Technology) repair room and their storage areas, to no avail. To prevent future items from being unaccounted for, Compton has instituted a procedure to log out all hardware removed from the premises for repair as an inventory control measure.

Currently, Compton has in place an inventory procedure to track intra-office movement of all hardware and furniture.

We thank you for your assistance.



Kimberly McKenzie, Director
Compton CareerLink

Attachments

- C: Alfretta Earnest – Acting City Controller
 Carolyn Myles – Deputy City Controller
 Maria Martin – Assistant Director
 Reginald Allen – TS Coordinator
 Barbara Kilroy – City Manager
 Charles Evans – Assistant City Manager